

SECTION VI

QUALIFYING TENANTS FOR LIHTC UNITS

The Tenant Eligibility Certification Process

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The Tenant Eligibility Certification Process

Part 600 :: Summary of Tenant Certification Procedures

The eligibility of persons who reside in LIHTC units must be certified. Documentation of household income and composition must be obtained. The income of a household must be within LIHTC guidelines and the rent amount must be restricted. See [Section V \(Income Limits, Rent Limits, and Utility Allowances\)](#) for more information. Tenant income must be calculated in a manner consistent with the determination of income under Section 8 of the United States Housing Act 1937, not in accordance with the determination of gross income for federal income tax liability. HUD Handbook 4350.3 (Section 8 Multifamily Guidelines) outlines the methodology that must be used in determining tenant income.

An overview of the initial eligibility certification procedures is as follows:

1. Each tenant household should have a **rental application** (see [Part 615](#)).
2. The head of household and every adult member of the household must complete a **Checklist** – MSHDA Programs (which is included in [Appendix B and discussed in Part 620](#)). The checklist identifies all income sources and assets held by the tenant or prospective resident.
3. Each adult household member should sign a **Consent to Release Information** form, which is discussed in [Part 750](#).
4. **Verifications** for every item marked “yes” by the resident on his or her checklist must be completed and signed by the applicant. See [Part 625 \(Verifying Income and Assets\)](#) for more information.
5. Once all the income and asset information has been obtained and computed, management must prepare a **Tenant Income Certification** form (which is included in [Appendix B and discussed in Part 650](#)) for each household.
6. A **lease agreement** must be executed. See [Part 675 \(Lease Agreement\)](#) for more information.
7. The management agent should update the **tenant / unit file**, which is discussed in [Part 755](#).

Part 605 Household's Annual Income

As mandated in IRS Notice 88-80 (Income Determination), for purposes of determining qualification as a low income housing project, the income of individuals and area median gross income will be determined in a manner consistent with the determination of annual income and the estimates of median family income under Section 8 of the US Housing Act of 1937. Annual income is defined as the gross amount of income anticipated, to be received by members of the household during the 12 months following the date of certification or recertification. LIHTC income limits are based on gross, not adjusted, annual income. Allowances commonly used in some government programs, such as child care allowance, elderly household allowance, dependent allowance, handicapped assistance allowance, etc., are not permitted to be subtracted from the household's gross income to determine income eligibility for LIHTC units. Further, deductions & such as government taxes, social security tax, etc.) that are commonly subtracted from income to arrive at "net income" are not applicable to LIHTC. Gross income, not net income, must be used in determining LIHTC eligibility.

For information regarding what annual income includes, calculating annual income, and annual income exclusions, see HUD Handbook 4350.3 CHG-27, and excerpt of which is included in **Appendix D**. A copy of the entire handbook and other HUD regulations can be obtained at www.hud.gov or at www.huduser.org.

A discussion of how income and rent limit figures are determined is included in **Section V (Income limits, Rent Limits and Utility Allowances)**. The income limit that a project or household must comply with is discussed in **Section IV (LIHTC Allocation Basics)**.

Part 610 Assets

Assets are items of value, other than necessary personal items. Income from assets must be taken into consideration when determining the eligibility of a household. Asset information (asset value and income from assets) should be obtained at the time of application and recertification. The applicant will affirm that this information is correct by executing the Tenant Income Certification (formerly known as Certification of Tenant Eligibility [CTE]), a copy of which is included in **Appendix B**. For information regarding what net household assets include and determining the value of assets and income from assets, see HUD Handbook 4350.3, which is included in **Appendix D**.

610-A Net Family Assets Greater than \$5, 000

Third party verification of the value of assets and income from assets is required when the combined value of the assets held by all members of the household exceeds \$5,000. Third party verification must be obtained for the initial certification of the household and for each recertification.

If net family assets exceed \$5,000, asset income (which must be included as part of household income) will be the greater of: (a) actual asset income; or (b) net family assets times the HUD approved passbook rate for the area (the imputed income from assets). Local HUD offices periodically publish the HUD approved passbook rate. At the time of publication of this compliance manual, the passbook rate is two percent (2%) and has not changed in many years.

610-B Net Family Assets Less than or Equal to \$5,000

Owners of tax credit projects do not have to obtain third-party verification(s) of the value of assets if the household submits to the owner a signed, sworn statement (under oath and notarized) that the combined value of the assets of all household members is less than \$5,000. This form (described further in **Part 610-E**) must be completed by the household at each recertification. The Asset Certification form should not be used for move-in certifications. All assets should be verified via a third party at initial (move-in) certification. A copy of the asset certification statement (form LIHTC 048) is included in **Appendix B**. (Note, some other government housing programs require certification of all assets, regardless of the amount, including those with combined values of less than \$5,000. For additional information, see **Part 1080 (Interfacing LIHTC with other Government Housing Programs)**).

If net family assets are less than or equal to \$5,000, asset income will equal actual yearly income from assets. The actual yearly income from assets must be included as part of household income.

610-C Example of Calculating Income from Assets

Type of Asset	Cash Value of Asset	Actual Income from Asset
Checking Account (non-interest bearing)	\$ 300	\$ 0
Savings Account (3% interest rate)	2,000	60
Certificate of Deposit	9,000	550
Stamp Collection	15,000	0
Total	\$ 26,300	\$ 610

The CD has a face value of \$10,000 with an interest rate of 5 ½ percent and a 10% penalty for early withdrawal, for a cash value of \$9,000 and actual income of \$550. Since total assets (\$26,300) exceed \$5,000, estimated income must be calculated: Total Assets x 2% HUD Passbook Rate = \$26,300 x .02 = \$526. Annual income must include the \$610 (actual asset income) because it is greater than the imputed income received on the assets.

610-D Divestiture of Assets

In addition to assets now owned, the household must indicate whether or not family members disposed of assets for less than fair market value during the previous two years. Assets that have been disposed/divested for less than fair market value must be included as part of household assets for two years from the date of disposal. See HUD Handbook 4350.3, in [Appendix D](#), for more information.

610-E Asset Certification Form

This form must be completed by every household in which the members have a combined total of less than \$5,000 in assets and for which the value of those assets are not being verified by a third party. It is recommended that all assets, including those with combined values of less than \$5,000, be verified by a third party during the initial tenant certification. The asset certification form may be used in lieu of third party verification of assets at recertification. A sample copy of this form is included in [Appendix B](#).

Part 615 : The Rental Application

A complete rental application is critical to an accurate determination of tenant eligibility. In addition to providing information for such things as credit checks and rental history, it is a screening tool to gather preliminary information about household income. This is useful in avoiding the completion of paperwork for persons whose income is clearly over the LIHTC limit. If it appears that a household may meet the guidelines for the LIHTC program, the household should complete a MSHDA checklist, which is discussed in [Part 620](#).

While MSHDA does not mandate the use of any particular application format, HUD 4350.3 CHG-27 lists guidelines the owner may want to adopt for the application process. The application should include:

- A. The name, age, social security number, relationship, handicap or disability, and sex of each person that will occupy the unit (legal name should be given just as it will appear on the lease and tenant income certification).
- B. Basic information about employment and other income sources.
- C. The current and anticipated student status of each applicant during the twelve-month certification period. For additional information regarding students, see [Part 810 \(Full-Time Students\)](#).
- D. A screening process, i.e. credit information, references from previous landlords, criminal history. Owners should ask applicants whether the family's assistance or tenancy in a subsidized housing program has ever been terminated for fraud, nonpayment of rent or failure to cooperate with recertification procedures.
- E. The signature of the applicant and the date the application was completed. It may be necessary to explain to the applicant that all information provided is considered confidential and will be handled accordingly.

The information furnished on the application should be used as a tool to determine all sources of income, including total assets and income from assets. However, the Tenant Income Certification (included in [Appendix B](#)) and the MSHDA Checklist (see [Part 620 and Appendix B](#)) are the only documents that are acceptable to MSHDA as certification for tenant eligibility. See [Part 650 \(Tenant Income Certification form\)](#) and [Part 620 \(MSHDA Checklist\)](#) for more information.

Part 620 :: MSHDA Checklist (Identifying Income and Assets)

After obtaining preliminary eligibility information on the rental application, the owner/management agent should have the tenant complete a checklist detailing all income sources and assets. Each household member over the age of 18 must complete a separate checklist. A sample copy of the MSHDA Checklist, which is the preferred checklist for use in LIHTC developments, is included in **Appendix B**.

Part 625 :: Verifying Income and Assets

All regular sources of income, including income from assets for every occupant of the unit, must be verified. IRS Revenue Notice 88-80 (included in **Appendix H**) states that determination of annual income of individuals, an area median gross income adjusted for family size, must be made in a manner consistent with HUD Section 8 income definitions and guidelines. In addition to outlining what income must be counted, the HUD Handbook 4350.3 also lists the requirements and procedures for obtaining eligibility documentation. A copy of an excerpt from the HUD Handbook 4350.3 is included in **Appendix D**.

All verifications should be received by the management agent prior to the execution of the TIC and actual move-in. Verifications must contain complete and detailed information and include, at a minimum, direct written verification from all sources of regular income and income from assets.

625-A Effective Term of Verification

Third-party verification of income are valid for 90 days prior to move-in. If after 90 days the tenant has not yet moved in, the information may be verbally updated from the source. This verbal verification is valid for an additional 30 days. After this time, a new written verification must be obtained.

625-B Methods of Verification

1. Written Verification - Written third-party verification is required. MSHDA does not require that the owner/management agent use any particular forms for third-party verifications; however, sample HUD third party verification forms are included as Appendix E. A request for income verifications must:

- A. State the reason for the request;
- B. Include a release statement signed and dated by the prospective tenant.

- C. Provide a section for the employer or other third-party source to state the applicant's current anticipated gross annual income or rate of pay, number of hours worked, and frequency of pay. Bonuses, tips and commissions must be included. Spaces should also be available for a signature, job title, phone number, and date.
 - D. Indicate the probability and effective date of any pay increase during the next twelve (12) months.
2. **Verbal Verification** - When written verification is not possible prior to move-in, direct contact with the source will be acceptable to MSHDA only as a last resort and should be followed by written verifications. The conversation should be documented in the applicant's Tenant File to include all information that would be contained in a written verification. The information must include the name and title of the contact, the name of the on-site management representative accepting the information, and the date. Verbal verification should be backed up with documentation such as a sworn statement from the tenant, copies of recent pay stubs, bank statements, etc. In addition, the tenant file should include an explanation as to why written verification was not obtained.
3. **Verification Transmittal** - Income verification request must be sent directly to the source by the owner or management agent and returned by the source to the owner or management agent. Under no circumstances should the applicant or resident be allowed to send or deliver the verification form to or from the third party source. It is suggested that a self-addressed, stamped envelope be included with the request for verification, to ensure a timely response. Applicants should be asked to sign two copies of each verification form. The second copy may be used if the first request has not been returned from the source in a timely manner. All tenant income verifications should be date stamped as they are received.
4. **Differences in Reported Income / Incomplete Information on Verifications** - The management agent should give the applicant the opportunity to explain any significant differences between the amounts reported on the application and amounts reported on the third-party verifications in order to determine actual income. The explanation of the difference should be documented in the tenant file. White out should never be used on verifications. If a correction or change is necessary, a line should be drawn through the error and the correct information should be written above it, initialed, and dated.

Part 630 :: Calculating Total Household Income

After all income and asset information has been obtained and computed for a household, all qualified sources of income are added together to derive the total household income. In order for the household to qualify for a tax credit unit, the total household income must be less than or equal to the maximum allowable qualifying income in effect at the time of tenant certification. If the total household income is greater than the maximum allowable qualifying income, the household cannot be certified for a tax credit unit. All income and assets should be summarized on the TIC, which is discussed in **Part 650 (Tenant Income Certification)**

Part 635 :: Issues Related to Income and Asset Determinations

- **Zero Income** – Any person over the age of 18, whether or not a full-time student, who states that he or she does not have any income must complete a Zero Income Certification. Completion of this form is required by MSHDA. A sample copy of the Zero Income Certification form is included in **Appendix L**.
- **Net incomes, salaries, and other amounts distributed from business and income from Self-Employment** – When determining income from a business, salaries paid to adult family members, net income from the business, and cash or assets withdrawn by any family member (unless the withdrawal is the reimbursement of cash or assets the family invested in the business). Deductions from net income include business expenses, interest payments on loans (unless the expenses or loans are for business expansion or capital improvement); and depreciation computed on a straight-line basis. Do not deduct: principal payments on loans, expenses for business expansion, or outlays for capital improvements.

The following documents show income for the previous year. Owners or their agents must consult with residents and use this data to estimate income for the next 12 months.

- Copies of individual federal tax return (IRS 1040), including any Schedule C (Small Business), Schedule E (Rental Property Income), and Schedule F (Farm Income).
- If a resident is employed by a business owned by the resident's family, a copy of a recent pay stub, verifying year-to-date earnings, is also required.
- Copy of Corporate or Partnership tax return (if applicable). All tax returns and related documents must be signed and dated by the taxpayer.
- Financial statement(s) of the business (such as a recent profit and loss statement).
- Applicant's notarized statement or affidavit as to the net income realized from the business during previous year.

For a related discussion, see **Part 960 (Commercial Space)**. For additional information about income and asset calculations and required documentation, see HUD Handbook 4350.3, which is included in **Appendix D**.

Part 640 Assets of Household Members

As outlined in HUD Handbook 4350.3 (which is included in [Appendix D](#)), the assets of all members of the household must be documented.

640-A Income and Assets of Children

Only the first \$480 of income earned (i.e. wages from employment, babysitting, paper routes, etc.) by children under the age of 18 (except those who are emancipated) who are members of the family is not counted as part of household income. All unearned income, including social security benefits and proceeds from trust funds, of all household members, including children under the age of 18, must be counted as part of total household income. All assets owned by all household members, including those of children under the age of 18, must be counted in calculating total household income. All income, whether earned or unearned, of emancipated minors must be counted. The \$480 amount does not apply to emancipated minors.

640-B Income and Assets of Full-Time Students

The full amount of student financial assistance is excluded from annual income. Student financial assistance is broadly interpreted to include various scholarships, educational entitlements, grants, work-study programs, GI-Bill, and financial aide packages. Student financial assistance is never included as income for any members of the household, including those persons who are non-dependents, spouses, and heads of household.

Count only the first \$480 of the earned income of a full-time student over the age of 18 who is not the head, co-head, or spouse and who is a dependent of another member of the household (i.e. must be listed as a dependent on the federal income tax of that person). The full amount of unearned income not deemed as “student financial assistance”, such as welfare and social security benefits, must be counted as part of household income for all household members, including those under the age of 18 and those persons who are full time students. Earnings from participation in Job Training Partnership Act programs are excluded from total household income calculation for LIHTC purposes. Assets held by persons who are full-time students must be counted as part of household income. Any household member over the age of 18 and any emancipated minor who is not the dependent of another person in the household (i.e. included on the federal tax return of that person) must be deemed a head of household, co-head or spouse for LIHTC purposes. The \$480 amount does not apply to a head of household, co-head, or spouse. All income including that which is earned and unearned, of such persons must be counted as part of household income. Example:

Bill and Bob, both 19 years old, are friends who share an apartment in an LIHTC development. Bill is not a student and is employed full-time. Bob attends school

full-time and works part-time at a local restaurant. Bill and Bob must be deemed as co-heads of household for LIHTC purposes and the entire amount of each of their incomes (except “student financial assistance”) must be counted. Even though Bob is a full-time student, the \$480 does not apply to him because he is a co-head of household.

For additional information regarding students, see [Part 810 \(Full-Time Students\)](#).

640-C Income and Assets of Non-Members of the Household

Non of the income, whether earned or unearned, of live-in attendants (see [Part 850](#)), foster children, and foster adults is included as part of household incomes.

Part 645 :: Move-In Dates

The move-in date of a household is critical in determining LIHTC-eligibility. Some projects involve new construction, in which all tenants move-in after construction is completed. Other projects involve rehabilitation, in which some tenants might have resided in the development prior to the project becoming an official “LIHTC” project.

- A. LIHTC Projects Involving the Acquisition and Rehabilitation of a Building(s) – If a building is occupied at the time it is acquired and remains occupied throughout the period in which it is being rehabilitated, all existing tenants (those who occupied the building when it was acquired) must be documented as having been income-eligible within 90 days prior to or on the acquisition placed in service date. Tenants who moved into the unit after the acquisition placed in service date must be documented as LIHTC-eligible at the time of actual move-in to the unit. If the building is not occupied during rehabilitation, a household must be LIHTC-eligible at the time of actual move-in to the unit.
- B. LIHTC Projects Involving the Rehabilitation Only – If a building is occupied during rehabilitation, all existing tenants (those who occupied the building while it was being rehabilitated) must be documented as having been LIHTC-eligible within 90 days prior to or on the rehabilitation placed in service date. Tenants who moved into the unit after the rehabilitation place in service date must be documented as LIHTC-eligible at the time of actual move-in to the unit. If the building is not occupied during rehabilitation, a household must be LIHTC-eligible at the time of actual move-in to the unit.
- C. LIHTC Projects Involving New Construction – In newly constructed buildings, all households must be documented as being LIHTC-eligible at the time of actual move-in to the unit.

D. Mixed Income Projects – In projects that have less than a 100% applicable fraction, if a tenant is designated as market rate at the time of actual move-in to the unit, but later is re-designated as an LIHTC household, the tenant must have been certified as an LIHTC household at the time of re-designation. The procedure for initial certification of LIHTC-eligibility is discussed in **Part 905**.

E. Unit Transfers – For information regarding unit transfers, see **Part 925 (Unit Transfers)**.

For a related topic, see IRS Notice 88-116 (Placement In Service), which is discussed in **Appendix H**. Also, see **Part 445 (First Year of the Credit Period)**.

Part 650 :: Tenant Income Certification (TIC)

Once all income and asset information has been obtained and computed, the management must prepare a Tenant Income Certification (which is included in **Appendix B**) for each household. The TIC was formerly known as Certification of Tenant Eligibility (CTE). Michigan uses the TIC created by NCSHA Best Practices, along with a mandatory supplement. The TIC must be executed along with the lease prior to move-in. The following guidelines apply:

1. Upon receipt of all verifications, owners or managers should review all documentation and calculations. If all requirements for eligibility are met, the applicant is qualified.
2. Management should instruct the prospective tenant(s) to date and sign the TIC exactly as the name appears on the form.
3. It is preferred that the TIC be executed on the date of move-in.

For information about forms used in certifying Section 8 and RHS tenants, see **Part 680 (Qualifying Section 8 Tenants for LIHTC Units)** and **Part 685 (Qualifying Tenants in RHS Projects for LIHTC Units)**.

Part 655 :: Effective Dates of Certifications

The effective date of a certification cannot be arbitrarily assigned. It is that date on which all the necessary information to substantiate the household income amount has been obtained. The checklist (identifying all income and asset sources) must be completed and signed by the tenant no earlier than 90 calendar days prior to (not after) the effective date of the certification. All income and asset verifications must be obtained from the appropriate sources no earlier than 90 calendar days preceding (not after) the effective date of the certification (see the HUD Handbook 4350.3 for more information). The TIC or comparable form should be signed by the head(s) of household and the management agent on (ideally) the effective date, but no more than 30 days prior to (not after) the effective date.

Part 660 :: Summary of Recertification Requirements

The Owner must perform, at least on an annual basis, an income certification for each low-income household and receive documentation to support that certification. MSHDA monitors recertification 365 days from the later of: the move-in date or the one-year anniversary of the previous certification. Upon receipt of all verifications, owners or managers should determine if the unit still qualifies for participation in the Tax Credit Program.

Whenever a recertification indicates that the composition of the household has changed, LIHTC-eligibility must be re-evaluated (at least annually at recertification). Composition changes include a birth, a death, a new tenant moving into the household, or an existing member vacating the household. If a new member is added to qualifying household, the following steps must be taken:

1. The prospective tenant should complete an application for residency and verifications of income and assets must be completed;
2. The new member's income must be included as part of the household's certified income. The combined household income must be compared to the maximum allowable income limit in effect at the time and based on actual household size; and
3. If the combined household's income is greater than 140% of the current maximum allowable income, a determination must be made as to whether the building or project will be in violation of Section 42 requirements by adding the new tenant.

Example: 1 person household income limit = \$15,000
 2 person household income limit = \$17,000
 140% of 2 person income limit = \$23,800

Tenant A is a qualified tenant living alone in a one-bedroom unit. Her income at initial certification was \$10,500. Eight months after Tenant A moved into the project, she informs management that she is getting married and that her new husband, Tenant B, will be moving into the unit in two months. At the time of annual recertification, Tenant B is certified as earning \$12,900 and Tenant A's is still \$10,500. The household's combined income will be \$23,400. The household will still qualify, since it is below the 140% limit of \$23,800. If the combined income of Tenants A and B would exceed 140% of the current income limit, the next available

*unit rule may go into effect. For additional information, see **Part 915 (140% / Next Available Unit Rule)**.*

Also, note the following in regard to recertification requirements:

- A. If tenants in a previously qualified household become full-time students at any time, the household can only be considered as a qualified tax credit household if at least one of the student criteria is met as described in **Part 810 (Full-Time Students)** of this manual. This eligibility determination must be made immediately upon the tenant becoming a full-time student and cannot be delayed until a recertification of the household is due.
- B. In the event that a tenant moves into a building prior to the placed-in-service date of the building (as shown on the project's IRS Form(s) 8609), and the verification of the tenant's income was performed more than 90 days prior to the placed-in-service date, the tenant must be recertified on the placed-in-service date. For more information, see **Part 645 (Move-In Dates)**.
- C. In the event household composition changes in any way, i.e., birth, death, marriage, divorce, or a family member or roommate vacates the unit, the household should notify management of the changes.
- D. See **Part 925 (Unit Transfers)** for information about unit transfers.

Part 665 :: Procedures for Recertification

- A. Notify tenant in writing that recertification is due.
- B. Interview the tenant(s) to obtain information regarding the household's income, assets and family composition.
- C. Have every tenant over the age of 18 complete a Checklist – MSHDA Programs (MSHDA – 1792-A). See **Part 620 (MSHDA Checklist)** for more information regarding the Checklist.
- D. Verify each tenant's income and assets. Supporting documentation (third-party income verification, employment verification, child support affidavit, etc.) must be reviewed. See **Part 625 (Verifying Income and Assets)** for more information.
- E. Complete a Tenant Income Certification form (TIC). The management agent and the tenant must sign the TIC. See **Part 650** for information about the TIC.
- F. Review the tenant's checklist, income and asset verifications, and the TIC to determine the tenant's eligibility for an LITHC unit.
- G. Execute the renewal lease at the time the TIC is signed and approved.
- H. Notify tenants of any rent increase resulting from the recertification.
- I. Update the Tenant / Unit File (which is discussed in **Part 755**).

Part 670 :: Annual Recertification Waiver

Section 42(g)(8)(B) provides that an owner of a project with a 100% applicable fraction may request a waiver of the annual recertification requirements. MSHDA offers owners of LIHTC projects the option of requesting a recertification waiver. Guidelines for obtaining a recertification waiver are included in Appendix K.

Part 675 :: Lease Agreement

All residents occupying tax credit units must be certified and under lease no later than the time a tenant moves into the unit. MSHDA does not have a required use of any particular lease specifically for the LIHTC program. Leasing guidelines are listed below.

- A. At a minimum, the lease should include (but is not limited to):
 - 1. The legal name of all parties to the agreement and all other occupants.
 - 2. A description of the unit to be rented.
 - 3. The date the lease becomes effective.
 - 4. The term of the lease.
 - 5. The rental amount and other charges (i.e. carport, pet fee, etc.).
 - 6. The use of the premises.
 - 7. The rights and obligations of the parties, including the obligation of the tenant to certify annual (or more frequently as required) to income as defined herein.
 - 8. Language that addresses income decrease, utility allowance increase/decrease, income limit changes, basic rent changes (in RHS or 236 projects), family composition change or any other change and its impact on the tenant's rent.
- B. Rents on the LIHTC Units may not exceed the amounts allowed by Section 42 of the Code.
- C. There must be an initial lease term of at least six months on all tax credit units (except for housing for the homeless and single room occupancy). The six-month requirement may include fee rental periods of one month or less. Succeeding leases are not subject to a minimum lease period. For a related discussion, see **Part 945 (Units Must be for Non-Transient Use)**.
- D. It is important for the lease to reflect the correct date of move-in, or the date the tenant takes possession of the unit.
- E. It should include a clause stating that adults must inform the owner/management agent immediately upon being a full-time student, and not wait until a recertification is due.

A partial list of recommended clauses and addenda is as follows:

- Tenant must provide owner/management agent with all of the information needed for LIHTC compliance monitoring purposes. This would include annual income and asset certifications signed by the tenant, income tax returns, and W-2 statements from employers.
- The lease should give the owner or manager the right to terminate the lease of a tenant who refuses to provide LIHTC certification information or who provides information that turns out to be false.

- The lease should require each tenant to sign a tenant income certification each year that identifies the household, its size, and total income.
- The lease should require annual recertification by tenants as to their income and student status, and make continued occupancy contingent upon continued eligibility.
- The lease should differentiate between the base monthly rent charged for the tax credit unit and additional charges for optional amenities and services.
- The lease should prohibit the assignment or subletting of the LIHTC unit.

Part 680 : Qualifying Section 8 Tenants for LIHTC Units

An owner/management agent may substitute a complete, executed copy of the HUD 50058 or HUD 50059 form (or TRACS form) and supplemental worksheet (detailing asset calculations) for the Tenant Income Certification (TIC) form, the Checklist – MSHDA Programs Form, and the income verification procedures, outlined in **Part 625** of this manual, when certifying the eligibility of Section 8 certificate and/or voucher holders, and tenants in Section 8 project-based developments. The HUD form(s) must be obtained directly from the Public Housing Authority by the owner/management agent. If the HUD 50058 or HUD 50059 form is/was prepared in-house (by the owner/management agent or the on-site leasing staff), copies of the appropriate third party verifications and other back-up documentation must be contained in the tenant file.

The street address and BIN number of the building in which the unit is located must be written or typed at the top of each form.

The HUD 50058 or HUD 50059 (or TRACS form) with supplemental asset calculation worksheet replaces only the items outlined in paragraph one above. No other substitution of forms or certification procedures will be permitted. ALL other initial certification and recertification procedures outlined in **Part 600 (Summary of Tenant Certification Procedures)**, **Part 665 (Procedures for Recertification)**, and throughout this manual must be followed. ALL of the annual compliance certification requirements, outlined in **Part 715**, must be completed and submitted to MSHDA as described. All other tax credit policies and guidelines, outlined in this manual and in federal and state regulations, apply to Section 8 projects, except as noted therein.

The Tenant/Unit Files must contain a HUD 50058 or HUD 50059 (or TRACS form) and supplemental asset worksheet for the initial certification and an updated HUD 50058 or HUD 50059 and supplemental asset worksheet for every interim and annual recertification. Supporting documentation (which includes copies of third-party verifications) must be included if deemed necessary by MSHDA. The Tenant/Unit File must contain all of the other documentation outlined in **Part 755**, including, but not limited to, a rental application and a lease agreement.

To obtain the HUD 50058 or HUD 50059 and worksheet from the Public Housing Commission, the owner/management agent and the tenant/prospective resident should complete a Authorization to Release Information for Section 8 Participants (LIHTC Form 045) for each initial certification and for each interim or annual recertification. A copy of the form is included in **Appendix B**.

If the HUD 50058 or HUD 50059 or updates cannot be obtained by the owner/management agent or the tenant discontinues participation in the Section 8 program, all of the initial certification and/or interim and annual recertification procedures outlined in this Manual must be followed.

Using HUD 50058 or HUD 50059 – Tax credit income limits are based on the gross annual income of a household, not adjusted annual income. Use the line identifying the Total Tenant Payment to compare to the maximum allowable tax credit rent. Tax credit rent limits are based on the tenant-paid portion of the rent and tenant-paid utilities (the utility allowance) and do not include any subsidy payments. For additional information about Section 8 participants, see **Part 825 (Section 8 Recipients – Discrimination is Prohibited)**. A sample HUD 50058 / 50059 is included in Appendix J. For a related discussion, see **Part 1080 (Interfacing LIHTC with other Government Housing Programs)**.

Part 685 : Qualifying Tenants in RHS Projects for : LIHTC Units

An owner/management agent of a project financed by the Rural Housing Services (RHS) and Community Development (formerly Farmers Home Administration and sometimes referred to as Rural Development or Rural Economic and Community Development) may substitute the Tenant Certification (RD 1944-8) form for the Tenant Income Certification (MSHDA Mgt. 320) form to certify and/or recertify the eligibility of LIHTC tenants. The substituting of RHS 1944-8 will be valid only with the following attachments / modifications:

- A. A worksheet calculating net family assets, detailing:
 - 1. For each type of asset, the following information:
 - a. the type of asset (cash, real estate property, stocks, etc.)
 - b. the cash value of the asset
 - c. the actual yearly income from the asset.
 - 2. The combined total cash value of all assets.
 - 3. The combined total actual yearly income from all assets.
 - 4. For households with assets with a total cash value exceeding \$5,000, the imputed income from assets based on the HUD approved passbook rate.
- B. The following written or typed at the top of the RHS 1944-8:
 - 1. The number of bedrooms in the unit;
 - 2. The street address and BIN number of the building in which the unit is located; and
 - 3. The date the tenant moved-in to the particular unit.

The RHS 1944-8 replaces only the TIC. No other substitution of forms or certification procedures will be permitted. The MSHDA Checklist form (or an equivalent RHS checklist) must be completed. All other initial certification and recertification procedures outlined in **Parts 600 and 660** and throughout this manual must be followed. All of the annual certification requirements, outlined in **Part 715**, must be completed and submitted to MSHDA as described. All other tax credit policies and guidelines outlined in this manual and in federal and state regulations apply to RHS projects.

The Tenant/Unit File must contain a RHS 1944-8 for the initial certification and an updated RHS 1944-8 for every interim and annual recertification. The Tenant/Unit File must contain all of the other documentation outlined in **Part 715**, including, but not limited to, third party verifications and lease agreement. If a RHS 1944-8 is not completed, all of the initial certification and/or interim and annual recertification requirements and procedures outlined in **Parts 600 and 660** must be followed.

Using the RHS Forms – Use line 31, 17F, from the RHS 1944-8 to compare to the appropriate area median gross income limit as adjusted for household size. Tax credit income limits are based on a household's gross annual income, not adjusted annual income.

Use line 32 or line 35 (whichever is applicable to the tenant), Final Net Tenant Contribution, to compare to the maximum allowable tax credit rent. Tax credit rents are based on the tenant-paid portion of the rent and tenant-paid utilities and do not include any subsidy payments.

A sample RHS 1944-8 is included in **Appendix J**. For additional information regarding RHS projects, see **Part 530 (RHS Rental Assistance)** and **Part 545-A (Utility Allowances / Rural Housing Services)**. For additional information about Rural Housing Services projects, see the United States Department of Agriculture (USDA) websites www.usda.gov and www.rurdev.usda.gov/RHS. For related discussion, see **Part 1080 (Interfacing LIHTC with other Government Housing Programs)**.